

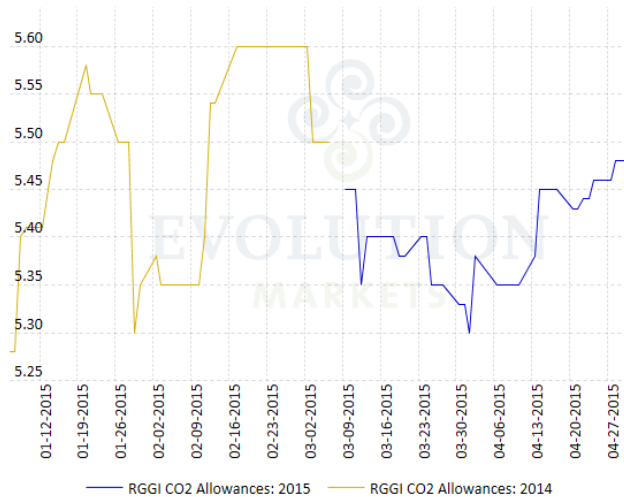


## Regional Greenhouse Gas Initiative (RGGI)

### Market Status

RGGI prices have held somewhat steady in 2015, starting off the year around \$5.24 and reaching a high of \$5.60 before the March, 2015 Auction cleared at \$5.41. Prices dropped after the Auction to \$5.30, but have steadily climbed back to the \$5.50 level.

| Term           | Bid    | Offer  |
|----------------|--------|--------|
| May 15 Cleared | \$5.46 | \$5.52 |
| Dec 15 Cleared | \$5.50 | \$5.60 |
| Dec 16 Cleared | \$5.65 | \$5.80 |



### Future Outlook

With the changes made to the Model Rule, annual supply of RGGI Allowances are below recent actual emissions, so the market is bullish in the long term. There are an additional 10 million allowances called Cost Containment Reserve Allowances (CCR) that can be added to the supply each year if certain price triggers are met. Those price triggers are \$6 in 2015, \$8 in 2016 and \$10 in 2017 -- and the trigger increases 2.5% each year thereafter. Unless actual emissions are reduced, it appears that RGGI prices may trend toward the CCR price triggers.

### Fundamentals

Based on the 2014 Secondary market report released by RGGI, there are 403 Million allowances in circulation, of which 66% will be needed for control period 2012 – 2014 compliance. This infers there are 136 million allowances banked for future compliance, and it would take until 2018/2019 to draw that bank down. If you reduce the bank by the number of allowances are held by non-compliance entities, it will take until 2016/2017 to draw down the bank. This assumes that emissions are static over the period and that no CCR allowances are released.

